First Investment Company K.S.C.P. and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of First Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

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BAKER TILLY
KUWAIT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, the executive regulation of Law No. 25 of 2012 and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and the executive regulation of Law No. 25 of 2012 or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2015, that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2015 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN AL OSAIMI & PARTNERS

MOHAMMED HAMED AL SULTAN
LICENSE NO. 100 A
AL SULTAN AND PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

31 March 2016
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

	Notes	*2015* *KD*	*2014* *KD*
INCOME			
Murabaha income		**172,791**	49,118
Rental income		**21,984**	149,764
Realised (loss) gain on financial assets at fair value through profit or loss		**(321,125)**	250,069
Unrealised loss on financial assets at fair value through profit or loss		**(412)**	(168,315)
Gain on disposal of financial assets available for sale		**208,817**	80,037
Gain on disposal of properties under development	12	**-**	22,447,194
Change in fair value of investment properties	13	**366,452**	(35,138)
Management fees		**530,849**	712,553
Dividends income	5	**173,187**	210,193
Share of results of associates	11	**1,947,117**	1,614,996
Foreign currencies exchange gain		**1,125,262**	12,665
Other income		**323,593**	40,792
		4,548,515	25,363,928
EXPENSES			
Impairment of financial assets available for sale	10	**(125,728)**	(2,048,222)
Impairment of investment in associate	11	**-**	(10,101,113)
Provision of other assets	14	**-**	(546,025)
Staff costs		**(1,923,064)**	(2,212,286)
Depreciation		**(143,508)**	(154,474)
Finance costs		**(38,255)**	(305,824)
Other expenses	6	**(898,237)**	(1,822,662)
		(3,128,792)	(17,190,606)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST"), ZAKAT AND DIRECTORS' REMUNERATION		**1,419,723**	8,173,322
Contribution to KFAS		**-**	(26,145)
Contribution to NLST		**-**	(98,002)
Zakat		**-**	(36,528)
Directors' remuneration		**-**	(60,000)
PROFIT FOR THE YEAR		**1,419,723**	7,952,647
Attributable to:			
Equity holders of the Parent Company		**1,409,778**	4,236,888
Non-controlling interests		**9,945**	3,715,759
		1,419,723	7,952,647
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	7	**2.20 fils**	6.52 fils

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	*2015* *KD*	*2014* *KD*
Profit for the year		**1,419,723**	7,952,647
Other comprehensive (loss) income			
Items that are or may be reclassified subsequently to consolidated statement of income			
Change in fair value of financial assets available for sale		**(155,749)**	(2,049,105)
Share of other comprehensive income of associates	11	**548,730**	218,502
Exchange differences on translation of foreign operations		**(917,331)**	849,701
Impairment loss on financial assets available for sale transferred to consolidated statement of income	10	**125,728**	2,048,222
Other comprehensive (loss) income for the year		**(398,622)**	1,067,320
Total comprehensive income for the year		**1,021,101**	9,019,967
Attributable to:			
Equity holders of the Parent Company		**1,020,729**	5,067,389
Non-controlling interests		**372**	3,952,578
		1,021,101	9,019,967

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	*2015 KD*	*2014 KD*
ASSETS			
Bank balances and cash	8	**18,912,300**	36,920,815
Financial assets at fair value through profit or loss	9	**1,075,135**	671,839
Financial assets available for sale	10	**31,108,806**	27,254,927
Investment in associates	11	**48,536,666**	46,293,802
Properties under development	12	**2,224,023**	2,169,445
Investment properties	13	**36,048,434**	29,567,473
Other assets	14	**3,478,784**	2,857,090
Property and equipment		**1,216,029**	950,540
TOTAL ASSETS		**142,600,177**	146,685,931
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	**65,107,055**	65,107,055
Share premium	15	**18,250,362**	18,250,362
Treasury shares	15	**(2,102,052)**	(142,918)
Statutory reserve	16	**1,125,952**	984,974
Share options reserve	4	**3,016,890**	3,016,890
Treasury shares reserve		**1,118,684**	1,118,684
Cumulative changes in fair value reserve		**254,158**	155,335
Foreign currency translation reserve		**1,064,893**	1,552,765
Retained earnings		**6,470,885**	8,441,438
Equity attributable to equity holders of the Parent Company		**94,306,827**	98,484,585
Non-controlling interests		**13,843,363**	13,865,879
TOTAL EQUITY		**108,150,190**	112,350,464
LIABILITIES			
Murabaha payables	17	**29,668,832**	27,766,048
Other liabilities	18	**4,781,155**	6,569,419
TOTAL LIABILITIES		**34,449,987**	34,335,467
TOTAL EQUITY AND LIABILITIES		**142,600,177**	146,685,931

Badar Mohammed Al-Qatan
Chairman

Eisa A. S. Alweggian
Chief Executive Officer

The attached notes 1 to 26 form part of these consolidated financial statements.

First Investment Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Parent Company											
	Share capital KD	*Share premium KD*	*Treasury shares KD*	*Statutory reserve KD*	*Share options reserve KD*	*Treasury shares reserve KD*	*Cumulative changes in fair value reserve KD*	*Foreign currencies translation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2015	65,107,055	18,250,362	(142,918)	984,974	3,016,890	1,118,684	155,335	1,552,765	8,441,438	98,484,585	13,865,879	112,350,464
Profit for the year	-	-	-	-	-	-	-	-	1,409,778	1,409,778	9,945	1,419,723
Other comprehensive income (loss) for the year	-	-	-	-	-	-	98,823	(487,872)	-	(389,049)	(9,573)	(398,622)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	98,823	(487,872)	1,409,778	1,020,729	372	1,021,101
Dividends paid (Note 15)	-	-	-	-	-	-	-	-	(3,239,353)	(3,239,353)	-	(3,239,353)
Purchase of treasury shares	-	-	(1,959,134)	-	-	-	-	-	-	(1,959,134)	-	(1,959,134)
Transfer to statutory reserve	-	-	-	140,978	-	-	-	-	(140,978)	-	-	-
Non-controlling interest movement	-	-	-	-	-	-	-	-	-	-	1,633,054	1,633,054
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,655,942)	(1,655,942)
At 31 December 2015	**65,107,055**	**18,250,362**	**(2,102,052)**	**1,125,952**	**3,016,890**	**1,118,684**	**254,158**	**1,064,893**	**6,470,885**	**94,306,827**	**13,843,363**	**108,150,190**
As at 1 January 2014	65,107,055	18,250,362	(142,918)	539,218	3,016,890	1,118,684	276,030	601,569	4,650,306	93,417,196	19,609,249	113,026,445
Profit for the year	-	-	-	-	-	-	-	-	4,236,888	4,236,888	3,715,759	7,952,647
Other comprehensive (loss) income for the year	-	-	-	-	-	-	(120,695)	951,196	-	830,501	236,819	1,067,320
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(120,695)	951,196	4,236,888	5,067,389	3,952,578	9,019,967
Transfer to statutory reserves	-	-	-	445,756	-	-	-	-	(445,756)	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(9,695,948)	(9,695,948)
At 31 December 2014	65,107,055	18,250,362	(142,918)	984,974	3,016,890	1,118,684	155,335	1,552,765	8,441,438	98,484,585	13,865,879	112,350,464

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	*2015* *KD*	*2014* *KD*
OPERATING ACTIVITIES			
Profit for the year		**1,419,723**	7,952,647
Non-cash adjustments to reconcile Profit for the year to net cash flows:			
Murabaha income		**(172,791)**	(49,118)
Realised loss (gain) on financial assets at fair value through profit or loss		**321,125**	(250,069)
Unrealised loss on financial assets at fair value through profit or loss		**412**	168,315
Gain on disposal of financial assets available for sale		**(208,817)**	(80,037)
Gain on disposal of properties under development	12	**-**	(22,447,194)
Change in fair value of investment properties	13	**(366,452)**	35,138
Dividends income	5	**(173,187)**	(210,193)
Share of results of associates	11	**(1,947,117)**	(1,614,996)
Foreign currencies exchange gain		**(1,125,262)**	(12,665)
Impairment of financial assets available for sale	10	**125,728**	2,048,222
Impairment of investment in associate	11	**-**	10,101,113
Provision of other assets	14	**-**	546,025
Depreciation		**143,508**	154,474
Finance costs		**38,255**	305,824
Other expenses	6	**226,610**	-
		(1,718,265)	(3,352,514)
Working capital adjustments:			
Financial assets at fair value through profit or loss		**(705,419)**	1,123,731
Other assets		**(13,765)**	1,182,237
Other liabilities		**(1,388,141)**	2,777,344
		(3,825,590)	1,730,798
Murabaha income received		**168,687**	49,118
Finance costs paid		**(38,255)**	(236,685)
Net cash flows (used in) from operating activities		**(3,695,158)**	1,543,231
INVESTING ACTIVITIES			
Dividends income received		**99,027**	210,193
Purchase of financial assets available for sale		**(4,016,027)**	-
Proceeds from disposal of financial assets available for sale		**218,334**	474,559
Purchase of investment properties	13	**(5,176,786)**	(625,333)
Proceeds from disposal of investment properties		**421,792**	-
Purchase of investment in associates	11	**(581,156)**	-
Proceeds from disposal of investment in associates		**-**	272,110
Dividends received from associates	11	**834,139**	331,008
Purchase of properties under development	12	**(31,295)**	(2,146,236)
Proceeds from sale of properties under development	12	**-**	39,537,054
Purchase of property and equipment		**(58,600)**	(48,531)
Net cash flows (used in) from investing activities		**(8,290,572)**	38,004,824
FINANCING ACTIVITIES			
Net movement in murabaha payables		**737,363**	566,048
Dividends paid		**(3,145,072)**	-
Purchase of treasury shares		**(1,959,134)**	-
Distribution to non-controlling interests		**(1,655,942)**	(9,695,948)
Net cash flows used in financing activities		**(6,022,785)**	(9,129,900)
NET (DECREASE) INCREASE IN BANK BALANCES AND CASH		**(18,008,515)**	30,418,155
Bank balances and cash at the beginning of the year		**36,920,815**	6,502,660
BANK BALANCES AND CASH AT THE END OF THE YEAR	8	**18,912,300**	36,920,815

The attached notes 1 to 26 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of First Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 31 March 2016. The shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

The Parent Company is a Kuwaiti Shareholding Public Company incorporated on 26 July 1997 and regulated under the Central Bank of Kuwait ("CBK") and Capital Market Authority ("CMA") as an investment company. The Parent Company's shares are listed on Kuwait Stock Exchange. The Parent Company's registered office is at Souk Al Safat, Abdullah Mubarak Street, Kuwait City.

The Parent Company is principally engaged in the provision of investment and financial services and all activities are carried out in compliance with the Memorandum of Association, the Article of Association and the Islamic Sharia.

The objectives of the Parent Company are as follows:

To carry out investment activities in all sectors by all legal and legitimate methods that the Parent Company deems appropriate for achieving its objectives, whether inside the State of Kuwait or abroad, and either for its own interest or on behalf of others. The Parent Company shall, in particular, carry out the following activities:

1 To conduct all financial brokerage activities and other related activities.
2. To invest in real estate, industrial, agricultural, and other economic sectors through shareholding in incorporating specialised companies or acquisition of shares of such companies.
3. To carry out securities trading transitions including buying and selling stocks and bonds of governmental and non-governmental agencies and companies.
4. To carry out real estate investment deals with the objective of developing residential lands and constructing residential and commercial units for sale or rent.
5. To assume the role of a Fund Trustee and Third Party Portfolio Manager as well as the related borrowing and lending transactions.
6. To carry out finance and brokerage activities in the international trading transactions.
7. To produce researches, studies, and other technical services related to investment operations and third party fund employment, provided that the required conditions should be met by those exercising such activities.
8. To establish and manage mutual funds in pursuance with Law and subject to approval of the competent authorities.
9. To assume the role of lead manager for bonds issued by companies and agencies.
10. To carry out brokerage business in the investment of financial instruments and securities.
11. To finance the buying and selling of residential plots for housing purposes, and to finance the construction of residential buildings on such plots.
12. To finance purchase and sale of durable and consumable goods.
13. To invest fund for its own interest and for the interest of the third parties in all types of investments by means of leasing, and to do the necessary acquisition and leasing of movable assets.
14. To purchase lands and real estates for the purpose of selling the same in their original condition or after the division thereof, leasing the same unoccupied or uninhabited, or after the construction of new facilities, building, and equipment.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No. 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective provision, which has been replaced by CBK's requirement for a minimum general provision made on all applicable credit facilities that are not provided specifically.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

The consolidated financial statements have been prepared on a historical cost convention, except for the financial assets at fair value through profit or loss, financial assets available for sale and investment properties that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars which is also the functional and presentation currency of the Parent Company.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2015.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Details of subsidiaries are set out below:

Name	*Country of Incorporation*	*% Equity interest 2015*	*% Equity interest 2014*	*Principal activity*
Al Marwa Holding Company K.S.C. (Closed)	Kuwait	**99.22%**	99.22%	Holding company
FIC Projects Development Company	Cayman Islands	**100%**	100%	Real estate investment
Deema Real Estate Investment Company L.L.C.	Saudi Arabia	**95%**	95%	Real estate investment
First Energy Resource Company K.S.C.(Closed)-Under liquidation*	Kuwait	**33.21%**	33.21%	Investment in energy sector
FIC Sukuk Company Limited**	Cayman Islands	**100%**	100%	Holding assets on trust of sukuk holders
Masadar Energy Company for General Trading W.L.L.	Kuwait	**98%**	98%	General trading
Shomoul Real Estate Company L.L.C.	Saudi Arabia	**50%**	50%	Real estate investment
Yasmeen Al Kuwait Real Estate Company W.L.L.	Kuwait	**97%**	97%	Real estate trading
Q80 Valve Industries Factory	Kuwait	**66.6%**	66.6%	Manufacturing
Asian Petroleum Facilities Maintenance Company W.L.L.	Kuwait	**66.6%**	66.6%	Investment in energy Sector
First Logistic Services L.L.C.	Oman	**48.33%**	48.33%	Logistics services

* on 15 November 2015, the Annual General Meeting of First Energy Resource Company K.S.C.(Closed) has approved a voluntary liquidation.

**Subsequent to the year ended 31 December 2015, FIC Sukuk Company Limited was liquidated on 20 January 2016.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in, the consolidated statement of income within "administrative expenses".

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

- Sale of properties is recognised when the risk and rewards of ownership have passed to the buyer usually evidenced by transfer of title of the properties.
- Murabaha and ijara income are recognised on a time proportion basis so as to yield a constant periodic rate of return based on the net balance outstanding.
- Rental income arising from operating leases of investment properties is accounted for on an accrual basis on contract terms.
- Management fees relating to portfolios and fund management, custody and on-going advisory services are recognised as earned.
- Dividends income is recognised when the Group's right to receive the payment is established.

Financing costs

Financing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other financing costs are expensed in the period in which they occur. Financing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Share based payment transactions
The Group operates an equity-settled, share-based Employee Stock Option Plan (ESOP). The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the market value of the Parent Company's shares at each reporting date and the date of final settlement to the exercise price with any change in intrinsic value recognised in the consolidated statement of income.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees exercise their rights. The cumulative expense recognised for equity-settled transactions at each reporting date until the exercise date, reflects the extent to which the exercise period has expired and the number of awards that, in the opinion of the Board of Directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition

(i) Financial assets
Initial recognition
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, financial assets held to maturity, financial assets available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets on initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances and cash, financial assets at fair value through profit or loss, financial assets available for sale and other assets.

At the reporting date, the Group did not have any financial assets held-to-maturity or as derivatives designated as hedging instruments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Gains or losses of investment held for trading are recognised in the consolidated statement of income. Financial assets are designated at fair value through profit or loss if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income .

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Financial assets available for sale
Financial assets available for sale include equity and debt securities. Equity and debt investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the cumulative changes in fair values and recognised in the consolidated statement of income. Financial assets whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

Subsequent measurement (continued)

Financial assets available for sale(continued)
The Group evaluates whether the ability and intention to sell its available for sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available for sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to statement of income over the remaining life of the investment using the (EIR). Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the (EIR). If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income .

Reclassification from financial assets available-for-sale to investment in associates is made upon acquisition of significant influence over the investment. Such transfer is made at original cost and any gain or loss previously classified in cumulative changes in fair value reserve is reversed to bring the carrying value to its original cost.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The losses arising from impairment are recognised in the consolidated statement of income.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive the cash flows from the asset have expired; or
- the Group has transferred its rights to receive the cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all of the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available for sale

For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets available for sale is impaired.

In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets available for sale previously recognised in the consolidated statement of income, is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment is recognised directly in other comprehensive income.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to the consolidated statement of income.

In addition, in accordance with CBK instructions, a minimum general provision of 1% for cash facilities and 0.5% for non cash facilities is made on all applicable credit facilities (net of certain categories of collateral), that are not provided for specifically.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

(iii) Financial liabilities

Initial recognition
Financial liabilities within the scope of IAS 39, are classified at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include murabaha payables and other liabilities.

At the reporting date, the Group didn't have any financial liabilities at fair value through profit or loss or as derivatives designated as hedging instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Murabaha payables
Murabaha payable represents the amount payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables is stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Other liabilities
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

(iv) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments (continued)
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.

Investment in associates
An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in its associates are accounted for using the equity method. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the statement of comprehensive income of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share of result of an associate is shown on the face of the consolidated income statement. This is the result attributable to equity holders of the associate and therefore is result after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Group and in case of different reporting date of associates, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated income statement.

Investment properties
Investment properties is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external independent, registered real estate valuers with relevant experience in the market in which the property is situated. The valuation reflects market conditions at the reporting date. Changes in the fair values of investment properties are included in the consolidated statement of income.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in statement of income in the period of derecognition.

Transfers are made to (or from) investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Properties under development
Properties under development are developed for future sale in the ordinary course of business, rather than to be held for rental or capital appreciation and are stated at lower of cost and net realisable value. Cost includes freehold rights for land, amounts paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs. Net realisable value is based on estimated selling price in the ordinary course of the business, based on market prices at the statement of financial position date, less costs to completion and the estimated cost of sale.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGUs fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated statement of income.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by other available fair value indicators.

Impairment losses are recognised in the consolidated statement of income.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets' or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Employees' end of service benefits

Provision is made for amounts payable to employees under the Kuwaiti Labour Law for private sector, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of termination of the reporting date.

With respect to its national employees, the Group also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in the equity. When the treasury shares are reissued, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the Group's voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares.

The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares. Part of the reserves created or appropriated and retained earnings equivalent to the cost of treasury shares is not available for distribution throughout the holding period.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation
The Group's consolidated financial statements are presented in Kuwaiti Dinar, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies
As at the reporting date, the assets and liabilities of foreign subsidiaries and the carrying amount of foreign associates are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their statement of income are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken to the consolidated statement of comprehensive income as foreign exchange translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the consolidated statement of financial position, but are disclosed in the notes of the consolidated financial statements.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies
Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% of taxable profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)
The Parent Company calculates NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolution No. 24 of 2006 at 2.5% of taxable profit for the year after deducting Board of Directors' remuneration for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year.

Zakat
Zakat is calculated at 1% of the profit for the year in accordance with the requirements of the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007. Zakat charge calculated in accordance with these requirements is charged to the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation *(continued)*

Taxation on foreign subsidiaries
Taxation on foreign subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the country where the subsidiaries operate.

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations
The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the following amendments to IFRS effective as of 1 January 2015:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle
These improvements are effective from 1 July 2014 and had no impact on the Group. They include:

IFRS 2 Share-based Payment
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Group had not granted any awards during the second half of 2014. Thus, these amendments did not impact the Group's financial statements or accounting policies.

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's accounting policy and, thus, this impact did not impact the Group's accounting policy.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant to the Group as it does not receive any management services from other entities.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and had no impact on the Group. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies, for the scope exceptions within IFRS 3, that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

Other new or amended standards which are effective on or after 1 January 2015 are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of these standards on its financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

The IASB issued IFRS 9 *Financial Instruments: Classification and Measurement* in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.* The adoption of this standard will have an effect on the classification and measurement of the Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's financial statements, when adopted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 27 Equity Method in Separate Financial Statements
These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. These amendments will not have any impact on the Group's consolidated financial statements.

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of investments
Management decides on acquisition of an investment whether it should be classified as at fair value through profit or loss or available for sale.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they have readily available reliable fair values and the changes in fair values are reported as part of statement of income in the management accounts, they are classified as fair value through profit or loss.

All other financial assets are classified as available for sale.

Classification of real estate
Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property or property and equipment.

The Group classifies property as property under development if it is acquired with the intention of development and for future sale in the ordinary course of business.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

The Group classifies property as property and equipment when it is acquired for owner occupation.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and assumptions (continued)

Impairment of investment in associates
After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Impairment of investments available for sale
The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Valuation of unquoted investments
Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; and
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Valuation of investment properties
Fair value of investment properties is determined based on valuations by independent registered real estate assessors which have relevant experience in the local and international property market.

4 EMPLOYEE STOCK OPTION PLAN

The Parent Company operates share option plan to reward the performance of its employees. Under this plan, the Parent Company may issue shares for cash to eligible employees by increasing its share capital. This scheme is in operation for a period from 1 January 2003. The total capital increase to meet the requirements of the scheme should not exceed 10% of the Parent Company's share capital at 31 December 2002.

No share option were issued or exercised during the current year (2014: Nil). Accordingly, no charge was recorded in the consolidated statement of income (2014: Nil).

5 DIVIDENDS INCOME

	2015	*2014*
	KD	*KD*
Financial assets at fair value through profit or loss	**29,730**	41,470
Financial assets available for sale	**143,457**	168,723
	173,187	210,193

6 OTHER EXPENSES

During the current year, the Court of Appeal / the stock market has ruled in favor of a client of the Parent Company, which grants the client 13,994,092 shares deposited in his opened investment portfolio in addition to the dividends accrued on these shares along with the legal interest as of 28 February 2008. According to this rulings the Parent Company provided for a provision amounting to KD 226,610 included the amount in other expenses in the consolidated statement of income. The Parent Company has appealed against the above mentioned ruling in the Court of Cassation which is still under consideration.

7 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted earnings per share are computed by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year (after adjusting for treasury shares) as follows:

	2015	*2014*
Profit attributable to equity holders of the Parent Company (KD)	**1,409,778**	4,236,888
Weighted average number of outstanding shares	**651,070,551**	651,070,551
Less: weighted average number of treasury shares	**(10,544,683)**	(1,200,000)
Weighted average number of shares	**640,525,868**	649,870,551
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**2.20 fils**	6.52 fils

8 BANK BALANCES AND CASH

	2015 *KD*	*2014* *KD*
Cash on hand	**400**	400
Bank balances	**9,730,697**	35,352,260
Murabaha deposits with original maturity of three months or less	**9,181,203**	-
Cash retained in portfolios	**-**	1,568,155
	18,912,300	36,920,815

Bank balances with carrying amount of KD 588,081 (31 December 2014: KD Nil) is restricted as collateral against Murabaha payables (Note 17).

Murabaha deposits with carrying amount of KD 850,000 (31 December 2014: KD 850,000) is pledged as collateral against murabaha payables (Note 17).

Murabaha deposits represent murabaha contracts with local islamic banks with an original maturity of three months or less. Murabaha deposits yield an effective profit rate range of 0.37% and 1.31% (2014:Nil) per annum.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 *KD*	*2014* *KD*
Designated:		
Quoted equity securities	**764,430**	288,057
Unquoted equity securities	**197,558**	197,558
Managed funds and portfolios	**113,147**	186,224
	1,075,135	671,839

The hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques are presented in Note 24.

10 FINANCIAL ASSETS AVAILABLE FOR SALE

	2015 *KD*	*2014* *KD*
Unquoted equity securities	**29,752,174**	27,198,658
Quoted equity securities	**1,338,077**	4,270
Unquoted managed funds	**18,555**	51,999
	31,108,806	27,254,927

Unquoted equity securities are stated at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the Group intends to hold them for the long term. Management has performed a review of its unquoted equity investments to assess whether impairment has occurred in the value of these investments and recorded an impairment loss in the consolidated statement of income of KD 98,226 (2014: KD 2,010,820) during the year, due to significant or prolonged decline in the fair value of these investments. Based on the latest available financial information, management is of the view that no further impairment loss is required as at 31 December 2015 in respect of these investments.

During the year, the Group has recorded an impairment loss in the consolidated statement of income of KD 27,502 (2014: KD 37,402) on unquoted managed funds where there has been a significant or prolonged decline in fair value.

The hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques are presented in Note 24.

11 INVESTMENT IN ASSOCIATES

Name of the Company	*County of incorporation*	*31 December 2015* *Percentage of ownership%*	*31 December 2015* *Amount KD*	*31 December 2014* *Percentage of ownership%*	*31 December 2014* *Amount KD*
Adeem Capital (Saudi Shareholders Closed Company)	Saudi Arabia	**40.00%**	**1,069,316**	40.00%	1,283,999
Arkan Al-Kuwait Real Estate Company K.S.C.P.	Kuwait	**29.06%**	**12,020,984**	29.06%	11,648,058
Burgan Company for Well Drilling K.S.C.P.	Kuwait	**20.46%**	**16,023,493**	20.46%	15,467,232
First Education Company K.S.C. (Closed) ("FEDCO")	Kuwait	**21.85%**	**4,098,542**	21.32%	3,545,081
Sahab Al-Khalij Real Estate Company B.S.C. (Closed) (Under liquidation)	Bahrain	**35.29%**	**66,915**	35.29%	69,599
Taameer Investment Company O.L.L.C. ("Taameer")	Oman	**37.40%**	**12,267,570**	37.40%	11,903,956
Al Jazeera Al Oula Real Estate W.L.L.	Saudi Arabia	**20.90%**	**2,989,846**	20.90%	2,375,877
			48,536,666		46,293,802

Share of investment in associate with carrying value of KD 15,510,060 (31 December 2014: KD 15,002,823) are pledged as collateral against Murabaha payables (Note 17).

In respect of group's investment in Burgan Company for Well Drilling K.S.C.P., the management considered performance outlook and business operations of the cash generating unit (CGU) to assess whether the recoverable amount of this entity cover its carrying amount. Based on the estimated cash flows, discounted back to their present value using a discount rate that reflects the risk profile, the management concluded that the carrying value exceeds the recoverable amount by KD Nil (2014: KD 10,101,113). Accordingly an impairment loss has been recognised in the consolidated statement of income by KD Nil (2014: KD10,101,113).

11 INVESTMENT IN ASSOCIATES (continued)

The recoverable amount of the CGU has been estimated based on a value in use calculation, using cash flow projections approved by senior management covering a 3 years period (2014: 3 years period) . The discount rate of 10.9% (2014: 9.49%) is applied to the cash flow projections over a 3 years period (2014: 3 years period) with projected terminal growth rate of 3% (2014: 3%).

The calculation of value in use for the CGU is sensitive to the following assumptions:
- Revenue forecast;
- Discount rate; and
- Projected growth rate used to extrapolate cash flows beyond the budget period.

Revenue Forecast:
Revenue forecasted is based on the renewal and extension of existing contracts that Burgan Company for Well Drilling currently has in its log books. The rates used in calculating the forecasted revenue are fixed to existing contractual rates.

Discount rate:
Discount rate is calculated by using the Weighted Average Cost of Capital (WACC). The inputs to the calculation of the discount rate reflects current market assessment of the time value of money and risks specific to the CGU and the country of the CGU.

Projected growth rate:
Assumptions are based on industry research.

The movement in the carrying value of investment in associates is as follows:

	2015 ***KD***	*2014* *KD*
At 1 January	**46,293,802**	55,164,535
Additions	**581,156**	-
Redemption	-	(272,110)
Dividends received	**(834,139)**	(331,008)
Impairment	-	(10,101,113)
Foreign currencies translation adjustment	**432,963**	338,314
Cumulative change in fair value	**115,767**	(119,812)
Share of results	**1,947,117**	1,614,996
At 31 December	**48,536,666**	46,293,802

The following table illustrates summarised financial information of the Group's investment in associates:

	2015 ***KD***	*2014* *KD*
Share of associate's statement of financial position as at 31 December:		
Assets	**76,019,334**	74,978,394
Liabilities	**(30,015,290)**	(31,217,214)
Net assets	**46,004,044**	43,761,180
Goodwill	**2,532,622**	2,532,622
	48,536,666	46,293,802
Share of associate's revenue and results for the year ended 31 December		
Revenue	**9,290,910**	12,214,020
Result – Profit	**1,947,117**	1,614,996

The reporting dates of certain associates are not more than three months from that of the Group and there were no significant events or transactions between the reporting dates of associates and 31 December 2015.

12 PROPERTIES UNDER DEVELOPMENT

	2015	*2014*
	KD	*KD*
At 1 January	**2,169,445**	17,314,711
Additions	**31,295**	2,146,236
Disposals	**-**	(18,144,789)
Foreign currencies adjustment	**23,283**	853,287
At 31 December	**2,224,023**	2,169,445

During the year ended 31 December 2015, the Group has sold certain properties under development with carrying value of KD: Nil (2014: KD 18,144,789) to third parties which resulted in a realised gain on sale of properties under development of KD: Nil (2014: KD 22,447,194) which has been recorded in the consolidated statement of income.

As at 31 December 2015, properties under development with a carrying value amounting to KD 1,534,194 (2014: KD 1,534,194) are pledged as a security against murabaha payables to the foreign islamic financial institution, (Note 17).

13 INVESTMENT PROPERTIES

	2015	*2014*
	KD	*KD*
At 1 January	**29,567,473**	28,977,278
Additions	**6,886,301**	625,333
Disposals	**(421,792)**	-
Transfer to property and equipment	**(350,000)**	-
Change in fair value	**366,452**	(35,138)
At 31 December	**36,048,434**	29,567,473

The fair value of investment properties has been determined based on valuation performed by two independent professional real estate valuation experts who are specialised in valuing such type of properties. Both valuers have used the market comparison approach.

For valuation purpose, the Group has selected the lower of those two valuations (2014: the lower of two valuations). Based on those valuations, the Group has recognised an unrealised gain on revaluation of KD 366,452 (2014: revaluation loss of KD 35,138) in the consolidated statement of income.

As at 31 December 2015, investment properties with carrying value amounting to KD 5,131,711 (2014: KD 3,305,834) are pledged as a security against murabaha payables to the foreign Islamic financial institution, (Note 17).

Investment properties include properties amounting to KD 26,900,000 (2014: KD 26,900,000) which have been waived by the owning company to the Parent Company against the settlement of murabha payable (Note 17). The Parent Company is in the process of transferring the these Investment properties within an agreement of murabha balance settlement.

All investment properties are considered level 2 for the fair value hierarchy and there were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements.

14 OTHER ASSETS

	2015 *KD*	*2014* *KD*
Receivable from sale of property under development	-	347,409
Advances for investment under establishment	**1,093,595**	1,054,929
Other receivables*	**2,318,157**	1,391,809
Management fees receivable	**67,032**	62,943
	3,478,784	2,857,090

*As at 31 December 2015, other receivables with an amount of KD 613,272 (2014: KD 613,272) were impaired and fully provided for.

Movement in provision for impairment of other receivables is as follows:

	2015 *KD*	*2014* *KD*
At 1 January	**613,272**	67,247
Charge for the year	-	546,025
At 31 December	**613,272**	613,272

15 SHARE CAPITAL, SHARE PREMIUM, DIVIDENDS AND TREASURY SHARES

(a) Share Capital and share premium

The authorised, issued and fully paid up capital of the Parent Company amounted to 651,070,551 shares (2014: 651,070,551 shares) of 100 fils each paid in cash.

Share premium is not available for distribution.

(b) Dividends

The Parent Company's Board of Directors, in the meeting held on 31 March 2016 has proposed distribution of treasury shares as bonus shares at 5% repressing 5 shares for each 100 share. This proposal is subject to the approval of shareholders at the Annual General Assembly Meeting.

The Annual General Meeting of the shareholders held on 21 May 2015 approved the payment of cash dividend of 5 fils per share amounting to KD 3,239,353 for the year ended 31 December 2014 (2013: KD Nil).

(c) Treasury shares

	2015	*2014*
Number of treasury shares	**31,200,000**	1,200,000
Treasury shares as a percentage of total issued shares	**4.79%**	0.18%
Cost of treasury shares (KD)	**2,102,052**	142,918
Market value of treasury shares (KD)	**1,778,400**	124,800

The balance in the treasury share reserve account is not available for distribution.

An amount of KD 2,102,052 (31 December 2014: KD 142,918) equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from statutory reserve and share premium throughout the holding period of treasury shares.

The weighted average market price of the Company's shares for the year ended 31 December 2015 was 79 fils per share (year ended 31 December 2014 was 101 fils per share).

16 RESERVES

a) Statutory reserve

As required by the Companies law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat, and Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of the reserve is limited to the amount required to enable the payment of a dividends of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of dividends of that amount.

b) Voluntary reserve

In accordance with Article 49 of the Parent Company's Articles of Association, a percentage of the profit for the year attributable to Parent Company's shareholders proposed by the Board of Directors to be allocated to voluntary reserve. The Annual General Assembly of shareholders may, upon a recommendation by the Board of Directors, resolve to discontinue such annual transfers.

The board of directors have not recommended any transfer to voluntary reserve for the current year.

17 MURABAHA PAYABLES

	2015 *KD*	*2014* *KD*
Murabaha payables	**29,668,832**	27,766,048
	29,668,832	27,766,048

As at 31 December 2015, murabaha payables amounting to KD 1,878,996 (2014: KD 1,165,421) is denominated in Omani Riyal, which carry effective profit rate payable of 6% (2014: 6%) per annum.

Murabaha payables amounting to KD 29,668,832 (31 December 2014: KD 27,766,048) are secured against the following:

- Bank balances with amount of KD 588,081 (2014: KD Nil) (Note 8).
- Murabaha deposits with amount of KD 850,000 (2014: KD 850,000) (Note 8).
- Investment in associates with carrying value of KD 15,510,060 (2014: KD 15,002,823) (Note 11).
- Properties under development with carrying value of KD 1,534,194 (2014: KD 1,534,194) (Note 12).
- Investment properties with carrying value of KD 5,131,711 (2014: KD 3,305,834) (Note 13).

During the prior year, the Parent Company signed settlement agreement with the Sukuk holder to swap the Sukuk payables and its profits amounting to KD 27,200,000 and KD 379,331 respectively, with part of its investment properties with a carrying a value of KD 26,900,000 (Note 13). According to the settlement agreement, the Parent Company will transfer the ownership title of the investment property within one year of signing the agreement with further grace period of six months subject to bank approval, meanwhile the Sukuk payable has been transferred to murabaha payables.

During the current year, the Parent Company has obtained an approval from bank for a grace period of six months which will be matured on 18 May 2016.

18 OTHER LIABILITIES

	2015 *KD*	*2014* *KD*
Other payables	**3,076,884**	5,131,156
Accrued expenses	**1,704,271**	1,438,263
	4,781,155	6,569,419

20 SEGMENT INFORMATION

Management monitors the operating results of its geographical segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. For management purposes, the Group is organised into three major geographical segments:

- Kuwait
- Kingdom of Saudi Arabia
- Others

The Group does not have any inter-segment transactions.

	Kuwait		Kingdom of Saudi Arabia		Others		Total	
Year ended 31 December	***2015 KD***	*2014 KD*	***2015 KD***	*2014 KD*	***2015 KD***	*2014 KD*	***2015 KD***	*2014 KD*
Income	**2,418,460**	1,622,160	**1,524,301**	23,138,059	**605,754**	603,709	**4,548,515**	25,363,928
Expenses	**(2,630,606)**	(14,707,652)	**(439,121)**	(2,263,537)	**(59,065)**	(219,417)	**(3,128,792)**	(17,190,606)
Results – (loss) profit before contribution to KFAS, NLST, ZAKAT and board remuneration	**(212,146)**	(13,085,492)	**1,085,180**	20,874,522	**546,689**	384,292	**1,419,723**	8,173,322
At 31 December								
Operating assets	**59,676,407**	40,229,150	**60,566,341**	88,811,240	**22,357,429**	17,645,541	**142,600,177**	146,685,931
Operating liabilities	**29,321,571**	29,528,320	**3,057,279**	4,533,004	**2,071,137**	274,143	**34,449,987**	34,335,467
Other disclosures:								
Investment in associates (Note 11)	**32,143,019**	30,660,371	**4,059,162**	3,659,876	**12,334,485**	11,973,555	**48,536,666**	46,293,802
Provision against other assets (Note 15)	**-**	(546,025)	**-**	-	**-**	-	**-**	(546,025)
Impairment of financial assets available for sale (Note 10)	**(98,226)**	(982,837)	**-**	(845,968)	**(27,502)**	(219,417)	**(125,728)**	(2,048,222)

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group's principal financial liabilities comprise non-derivatives financial instruments such as murabaha payables and other liabilities. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as financial assets at fair value through profit or loss, financial assets available for sale, other assets and bank balances and cash, which arise directly from its operations.

The main risk arising from the Group's financial instruments are credit risk, liquidity risk and market risk.

The Board of Directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Financial assets subject to credit risk consist principally of bank balances and other assets.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of receivables on an ongoing basis. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis by the Parent Company's Board of Directors. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. In addition, receivable balances are monitored on an ongoing basis with a view to minimise the Group's exposure to bad debts. The maximum exposure is the carrying amount as presented in the consolidated statement of financial position.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements.

	2015	*2014*
	KD	*KD*
Bank balances (excluding cash on hand)	**18,911,900**	36,920,415
Other assets	**3,478,784**	2,857,090
	22,390,684	39,777,505

Analysis of past due but not impaired

The Group does not have any past due but not impaired financial assets at 31 December 2015 and 31 December 2014.

liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is managed by the finance department of the Company. To manage this risk, the Group invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by finance department to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

liquidity risk (continued)

	Within 3 months KD	*3 to 6 months KD*	*6 to 12 months KD*	*Over 1 year KD*	*Total KD*
2015					
Liabilities					
Murabaha payables	**119,772**	**27,611,451**	**238,460**	**2,192,386**	**30,162,069**
Other liabilities	**676,958**	**846,477**	**524,831**	**2,732,889**	**4,781,155**
	796,730	**28,457,928**	**763,291**	**4,925,275**	**34,943,224**

	Within 3 months KD	*3 to 6 months KD*	*6 to 12 months KD*	*Over 1 year KD*	*Total KD*
2014					
Liabilities					
Murabaha payables	4,393	18,300	27,743,355	-	27,766,048
Other liabilities	421,616	1,278,093	2,049,360	2,820,350	6,569,419
	426,009	1,296,393	29,792,715	2,820,350	34,335,467

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market variables such as profit rates, foreign exchange rates and equity prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all financial instruments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to significant profit rate risk since its borrowings are from Islamic financial institutions at fixed profit rates.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk is managed by the investment department of the Parent Company on the basis of limits determined by the Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

The Group had the following significant net exposures denominated in foreign currencies as of 31December:

	2015 ***Equivalent in KD***	*2014* *Equivalent in KD*
Saudi Riyal	**31,133,457**	57,751,256
Omani Riyal	**10,478,772**	11,841,221
Others	**3,413,138**	1,762,184
	45,025,367	71,354,661

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity of the Group's profit (due to changes in the fair value of financial assets and liabilities) to a 5% possible change in the exchange rates, with all other variables held constant.

	2015			*2014*		
Currency	***Change in currency rate in %***	***Effect on consolidated statement of income KD***	***Effect on other comprehensive income KD***	*Change in currency rate in %*	*Effect on consolidated statement of income KD*	*Effect on other comprehensive income KD*
Saudi Riyal	**±5**	**26,009**	**1,530,663**	±5	29,958	2,917,615
Omani Riyal	**±5**	**8,903**	**515,036**	±5	3,137	595,198
Others	**±5**	**58,918**	**111,739**	±5	21,633	66,477

Equity price risk
Equity price risk arises from the change in fair values of equity investments. The Group manages this risk though diversification of investments in terms of geographical distribution and industry concentration.

The effect on the Group's profit and other comprehensive income (as a result of a change in the fair value of financial assets) due to a 5% change in market indices, with all other variables held constant, is as follows:

	2015			*2014*		
Market indices	***Change in equity price %***	***Effect on consolidated statement of income KD***	***Effect on other comprehensive income KD***	*Change in equity price %*	*Effect on consolidated statement of income KD*	*Effect on other comprehensive income KD*
Kuwait	**±5**	**28,301**	**22,799**	±5	352	-
United Arab Emirates	**±5**	**-**	**13,301**	±5	512	-
Kingdom of Saudi Arabia	**±5**	**-**	**-**	±5	-	340

22 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of bank balances and cash and murabaha payables at the reporting date is based on contractual repayment arrangements. The maturity profile for the remaining assets and liabilities is determined based on management's estimate of liquidation of those financial assets and settlement of financial liabilities. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

	Maturing within one year					
2015	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 Months KD*	*Sub-Total KD*	*Over 1 year KD*	***Total KD***
ASSETS						
Bank balances and cash	18,912,300	-	-	18,912,300	-	**18,912,300**
Financial assets at fair value through profit or loss	764,430	-	310,705	1,075,135	-	**1,075,135**
Financial assets available for sale	-	-	1,207,935	1,207,935	29,900,871	**31,108,806**
Investment in associates	-	-	-	-	48,536,666	**48,536,666**
Properties under development	-	-	-	-	2,224,023	**2,224,023**
Investment properties	-	26,900,000	-	26,900,000	9,148,434	**36,048,434**
Other assets	1,709,529	1,767,692	1,563	3,478,784	-	**3,478,784**
Property and equipment	-	-	-	-	1,216,029	**1,216,029**
TOTAL ASSETS	**21,386,259**	**28,667,692**	**1,520,203**	**51,574,154**	**91,026,023**	**142,600,177**
LIABILITIES						
Murabaha payables	91,587	27,583,266	182,090	27,856,943	1,811,889	**29,668,832**
Other liabilities	676,958	846,477	524,831	2,048,266	2,732,889	**4,781,155**
TOTAL LIABILITIES	**768,545**	**28,429,743**	**706,921**	**29,905,209**	**4,544,778**	**34,449,987**
NET LIQUIDITY GAP	**20,617,714**	**237,949**	**615,724**	**21,471,387**	**86,678,803**	**108,150,190**

	Maturing within one year					
2014	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 Months KD*	*Sub-Total KD*	*Over 1 year KD*	*Total KD*
ASSETS						
Bank balances and cash	36,920,815	-	-	36,920,815	-	36,920,815
Financial assets at fair value through profit or loss	310,495	-	361,344	671,839	-	671,839
Financial assets available for sale	-	-	2,240,584	2,240,584	25,014,343	27,254,927
Investment in associates	-	-	69,599	69,599	46,224,203	46,293,802
Properties under development	-	-	-	-	2,169,445	2,169,445
Investment properties	120,504	-	27,237,437	27,357,941	2,209,532	29,567,473
Other assets	272,688	2,428,533	155,869	2,857,090	-	2,857,090
Property and equipment	-	-	-	-	950,540	950,540
TOTAL ASSETS	37,624,502	2,428,533	30,064,833	70,117,868	76,568,063	146,685,931
LIABILITIES						
Murabaha payables	4,393	18,300	27,743,355	27,766,048	-	27,766,048
Other liabilities	421,616	1,278,093	2,049,360	3,749,069	2,820,350	6,569,419
TOTAL LIABILITIES	426,009	1,296,393	29,792,715	31,515,117	2,820,350	34,335,467
NET LIQUIDITY GAP	37,198,493	1,132,140	272,118	38,602,751	73,747,713	112,350,464

23 FIDUCIARY ACCOUNTS

The Group manages portfolios on behalf of customers and maintains cash balances and securities in fiduciary accounts which are not reflected in the Group's consolidated statement of financial position. Assets under management at 31 December 2015 amounted to KD 92,394,328 (2014: KD 88,749,108). The total income earned from fiduciary activities amounted to KD 530,849 (2014: KD 712,553).

24 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of financial instruments, with the exception of certain financial assets available for sale and designated financial assets at fair value through profit and loss carried at cost, are not materially different from their carrying values.

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

2015	**Level 1**	**Level 3**	**Total**
	KD	***KD***	***KD***
Financial assets at fair value through profit or los			
- Equity securities	**764,430**	**-**	**764,430**
- Managed funds and portfolios	**-**	**113,147**	**113,147**
Financial assets available for sale			
- Equity securities	**1,338,077**	**-**	**1,338,077**
- Managed funds and portfolios	**-**	**18,555**	**18,555**
	2,102,507	**131,702**	**2,234,209**

2014	Level 1	Level 3	Total
	KD	*KD*	*KD*
Financial assets at fair value through profit or loss			
- Equity securities	288,057	-	288,057
- Managed funds and portfolios	-	186,224	186,224
Financial assets available for sale			
- Equity securities	4,270	-	4,270
- Managed funds and portfolios	-	51,999	51,999
	292,327	238,223	530,550

During the years ended 31 December 2015 and 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

24 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the beginning and closing balances of level 3 financial assets which are recorded at fair value.

	At 1 January 2015 KD	*Loss recorded in the consolidated statement of income KD*	*Gain recorded in other comprehensive income KD*	*Net purchases, sales, transfers and settlements KD*	*At 31 December 2015 KD*
Financial assets at fair value through profit or loss					
- Managed funds and portfolios	**186,224**	**(708)**	**-**	**(72,369)**	**113,147**
Financial assets available for sale					
- Managed funds and portfolios	**51,999**	**(27,502)**	**1,747**	**(7,689)**	**18,555**

	At 1 January 2014 KD	*Gain (loss) recorded in the consolidated statement of income KD*	*Gain recorded in other comprehensive income KD*	*Net purchases, sales, transfers and settlements KD*	*At 31 December 2014 KD*
Financial assets at fair value through profit or loss					
- Managed funds and portfolios	566,964	212,332	-	(593,072)	186,224
Financial assets available for sale					
- Managed funds and portfolios	87,108	(37,402)	2,293	-	51,999

25 COMMITMENTS AND CONTINGENCIES

Commitments

	2015 KD	*2014 KD*
Operating lease rentals due within one year	**169,881**	72,330
	169,881	72,330

Contingencies

At 31 December 2015, the Group had provided bank guarantees amounting to KD 596,868 (2014: KD 596,868) for which the management anticipates that no material liabilities will arise.

26 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividends payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to the owners of the Parent Company. The Group includes within net debt, islamic borrowings, less bank balances and cash. Capital represents equity attributable to owners of the Parent Company.

	2015	*2014*
	KD	*KD*
Murabaha payables	**29,668,832**	27,766,048
Less: Bank balances and cash	**(18,912,300)**	(36,920,815)
Net debt	**10,756,532**	(9,154,767)
Equity attributable to the equity holders of the Parent Company	**94,306,827**	98,484,585
Gearing ratio	**11%**	-